

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7029

BILL NUMBER: HB 1549

NOTE PREPARED: Feb 2, 2015

BILL AMENDED: Feb 2, 2015

SUBJECT: Grain Buyer and Warehouse Operators.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Fee Increases and Other Fee Provisions:* This bill increases the fee for inspecting a moisture testing device. It increases certain license fees. It requires the agency to charge a fee for capacity changes between license renewal periods. The bill also changes the structure and amounts of a licensee's late fees.

Various Provisions Concerning the Indiana Grain Buyers and Warehouse Licensing Agency: The bill requires the Indiana Grain Buyers and Warehouse Licensing Agency to employ all necessary employees to administer the grain buyer and warehouse laws. It defines "daily position record", "grain coproducts", and "seed inventory". It amends the definition of "grain assets". It provides that an entity associated with a person with a revoked or suspended license may not operate as a grain buyer or warehouse. It adds seed inventory to the list of a warehouse's or grain buyer's unencumbered assets. It adds information that the agency may disclose about a licensee. The bill also requires the agency to give public notice when a license is suspended or revoked.

Series 3 Examinations: The bill changes the organization that administers the series 3 examination.

Financial Statements: The bill adds certain information that must be included in a licensee's financial statements.

Surety Bonds: The bill increases the amounts of a licensee's surety bond.

Grain Indemnity Fund and Board: The bill reorganizes provisions concerning the Grain Indemnity Fund and the administrative expense account, including repealing a law. It places a cap on the amount that the Grain

Indemnity Board may spend on administrative expenses.

Grain Indemnity Fund Cap and Premiums: The bill raises the Indiana Grain Indemnity Fund's cap to collect premiums for the Grain Indemnity Program.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Various Provisions Concerning the Indiana Grain Buyers and Warehouse Licensing Agency:* This bill could result in some additional workload and expense for the agency. The bill requires the agency to give public notice when a license is suspended or revoked, or when licensure has been denied. Providing these public notifications is allowed under current law but not required.

Grain Indemnity Fund and Board: The bill removes the current threshold that the Grain Indemnity Fund reach an excess of \$10 M before \$250,000 may be allocated to a separate administrative expense account and provides that the Grain Indemnity Board may transfer \$250,000 annually to the administrative expense account. The bill also provides that legal fees and expenses will be included as administrative expenses to be paid out of the administrative expense account, rather than the Grain Indemnity Fund. The total administrative expenses that may be paid annually would be capped at \$250,000.

Explanation of State Revenues: *Fee Increases and Other Fee Provisions:* There are several changes to fees in this bill including increases for fees currently assessed and the addition of new fees, which should result in increases in revenue to the Grain Buyers and Warehouse Licensing Agency Fee Fund. Based upon the number and nature of licenses during FY 2014, increases in these fees as provided in this bill could result in about \$300,000 in additional revenue.

Also, increasing the fee for inspecting a moisture testing device could result in about \$150,000 in additional revenue. However, it is expected that the number of meters inspected could decline due to the fee increase, so the additional revenue could be less.

The bill also imposes a \$250 fee for a licensee changing their storage capacity between license renewal periods, and it changes the structure and amounts of late fees assessed. The potential increases in revenue attributable to these changes is indeterminable at this time. The amount of late fees deposited in the Grain Buyers and Warehouse Licensing Agency Fee Fund was \$5,130 in FY 2014.

Grain Indemnity Fund Cap and Premiums: The bill provides that producer premiums may be collected until the fund contains more than \$25 M, but the collection may be reinstated when the fund is at or below \$20 M. Current statute provides that producer premiums may be collected until the fund contains more than \$15 M and the collection may be reinstated when the fund is at or below \$10 M. As of January 1, 2015, the balance of the fund was about \$14 M.

Additional Information - The Grain Indemnity Fund was established on July 1, 1996, to protect grain producers in the event of a grain buyer's financial failure. Money in the fund comes from a 0.02% premium on the gross sale price received by producers. Grain producers who choose not to participate in the program may request a refund of their premium from the fund. Since its inception, the fund has paid out about \$4.3 M to grain producers due to the insolvency of grain-buying firms.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Grain Buyers and Warehouse Licensing Agency; Indiana Grain Indemnity Board.

Local Agencies Affected:

Information Sources: Danae Wise, Indiana Grain Buyers and Warehouse Licensing Agency; David Bausman, Indiana State Department of Agriculture; State Auditor's Data.

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